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A Story of Sun Pharmaceuticals Laboratories: Going Global

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Abstract- Sun Pharma is a global pharmaceutical company. It manufactures and markets a huge basket of pharmaceutical formulations in India, US and several other markets across the world. In India, the company formulate the products in niche therapy areas of psychiatry, neurology, cardiology, diabetology, gastroenterology, orthopedics and ophtha-lmology.

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A Story of Sun Pharmaceuticals Laboratories: Going Global

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Abstract- Sun Pharma is a global pharmaceutical company. It manufactures and markets a huge basket of pharmaceutical formulations in India, US and several other markets across the world. In India, the company formulate the products in niche therapy areas of psychiatry, neurology, cardiology, diabetology, gastroenterology, orthopedics and ophthalmology.

Table 1: Sun Pharma – Basic facts

Headquarters	Mumbai, India
Public or Private	Public
Year of Establishment	1983
Revenues (2013-14)	$2.56 bn
Specialties	Formulations, API, US Generics, Specialty brands, Technically complex formulations

I. Synopsis of the Company

Over 72% of Sun Pharma sales are from markets outside India, primarily in the US. The US is the single largest market. It accounts for about 60% turnover in all be it in the form of formulations or finished dosage. It manufactures across 26 locations, including plants in the US, Canada, Brazil, Mexico and Israel.

Several regulatory agencies, including FDA-USA, EMA-Europe, MHRA-UK, MCC-South Africa, TGA-Australia, ANVISA-Brazil, WHO-Geneva, BPHARM-Germany, KFDA-Korea and PMDA-Japan, have certified their facilities.

Their track-record of successful collaborations includes various in and out - licensing of products and technologies, joint ventures, as well as mergers & acquisitions.

Their early investments in R&D began three decades ago. It enabled the company to make technology as their key differentiator and develop a basket of robust products for diverse markets across the world. The company has around 1800 research scientists working in multiple R&D centers. Their scientists have expertise in developing generics, Active Pharmaceutical Ingredients (APIs), Novel Drug Delivery Systems (NDDS) and New Chemical Entities (NCEs).

II. Path to Internationalization

Sun pharmaceutical started exporting products to neighboring countries of India in 1989. Table 2 below summarizes the internationalization history of the company

Table 2: International Operations History – Sun Pharma

Year	Modes of internationalization	Company Name	Country	Motivating factor
1989	Exports		Neighboring countries of India	
1996	subsidiary	Sun Pharma Global Inc.	The British Virgin Islands	
1997	Acquisition	Caraco Pharmaceutical Laboratories	USA	Technology and R&D seeking
1997	Equity Stake	MJ Pharma	UK	
2001	Subsidiary	Sun Pharmaceutical (Bangladesh) Limited	Bangladesh	Market access
2004	Subsidiary	Sun Pharmaceutical Industries, Inc.	USA	Market access
2004	Acquisition	Niche brands from Women's First Healthcare	USA	To enrich the product portfolio
2005	Subsidiary	Sun Pharmaceutical UK Limited	UK	Market access
2005	Acquisition	Manufacturing Unit in Bryan, Ohio	USA	
2005	Acquisition	Able Laboratories	USA	The Expansion, to make a presence of controlled substances.
2005	Acquisition	ICN	Hungary	Band building

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2008	subsidiary	Sun Pharmaceutical Industries Pty Ltd (Australia)	Australia	Market access
2008	Acquisition	Chattem Chemicals Inc.	USA	To enrich the product portfolio and become a more active player in pain management.
2009	subsidiary	Sun Pharmaceuticals Germany GmbH	Germany	Market access
2009	Acquisition	Products from Forest Inwood	USA	Through Coraco
2010	Acquisition	Taro Pharmaceuticals	USA	Expansion in the theUSA
2012	Acquisition	DusaPharmaceuticals	USA	DUSA's business will bring entry into dermatological treatment devices, where Sunpharma seesthe growth opportunities.
2012	Acquisition	The Generic business of URL pharmaceuticals.	USA	
2014	Acquisition	Ranbaxy	Various countries	Brand building. Sun pharma became world fifth largest generic pharma company.
2014	Acquisition	Pharmalucence	USA	Manufacturer of human injectable pharmaceuticals.
2014	Licensing agreement	Merck & Co. Inc.	USA	Enrich the product portfolio
2015	Acquisition	GSK'S opiates business in Australia.	Australia	Expansion in the niche segment of controlled substances.

Then in 1991, fall in bulk drug prices was a setback for the company. It realized the mistake of depending on a single product line, so it started to diversify across multiple formulations. Russia became the biggest export market for Sun, but the 1998 collapse of the Russian economy came as a big jolt for the company. Sun has become too focused on Russia as the country and lost a big chunk of business due to the political upheaval. That's when Sun decided to focus on three main therapeutic areas by employing similar production technology. It allowed Sun to serve different market segments while using the same techniques and thereby allowing them access to the best markets of the world.

In 1997, Sun made its first international acquisition. The primary motive of the acquisition was to acquire the technology. As a result, Sun acquired many companies with the equity stake. MJ Pharma, TDPL were few of them. Apart from acquisition as a mode of internationalization Sun also focused on exports. In 1997, Sun reported the exports as 18 percent of their total sales. Although Sun was present in many regulated and unregulated markets, USA remained the single most important country.

In 2004 Sun Pharma bought a few exclusive brands to consolidate its positions as a leader in the segment. The brands were purchased from the US-based company Women's First Healthcare (WFHC). Acquisition of WFHC was the foundation stone for entering the branded generic space in the US at a reasonable cost. In same year Sun Pharma increased its stake in Coraco to over 60% from 44% by acquiring a common stock and options from 2 large shareholders of Caraco.

In 2005 Sun acquired a Hungarian firm to operate in the controlled substance market. The Company bought raw materials and dosage form manufacturing operations of ICN Hungary from Valeant Pharmaceuticals. In the same year, Sun acquired a manufacturing plant in Bryan, Ohio, USA, and work begun on increasing the capacity and making operations more efficient.

III. Analysis & Conclusion

Sun although being a new company of the selected sample, manages a broad scope of operations. It is actively pursuing mergers, acquisitions, and other strategic tie-ups. Sun pharmaceutical targets API market in Europe and US as these markets are gradually opening up to the use of low- cost generics. There is intense competition from API manufacturers in many other developing countries. Therefore, the company is trying to diversify its product offerings by targeting specialty API. The company's acquisition of Knoll's bulk drug facility and its purchase of controlling stakes in Gujarat Pharma, MJ Pharma, and Caraco (U.S.) provide Sun with additional R&D capabilities and access to U.S. FDA approved factories.

As can be seen in Fig1, increase in R&D had a positive impact on the export intensity of the company.

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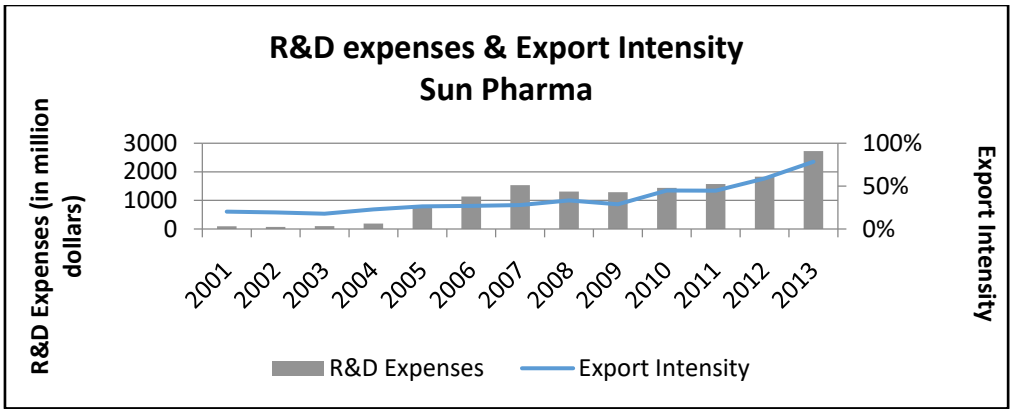


Fig. 1: R&D expenses & Export Intensity – Sun Pharma

Fig 2 shows a plot of Sun Pharma's assets plotted against its export intensity. Company's export intensity seems to be having a positive correlation with its total assets.

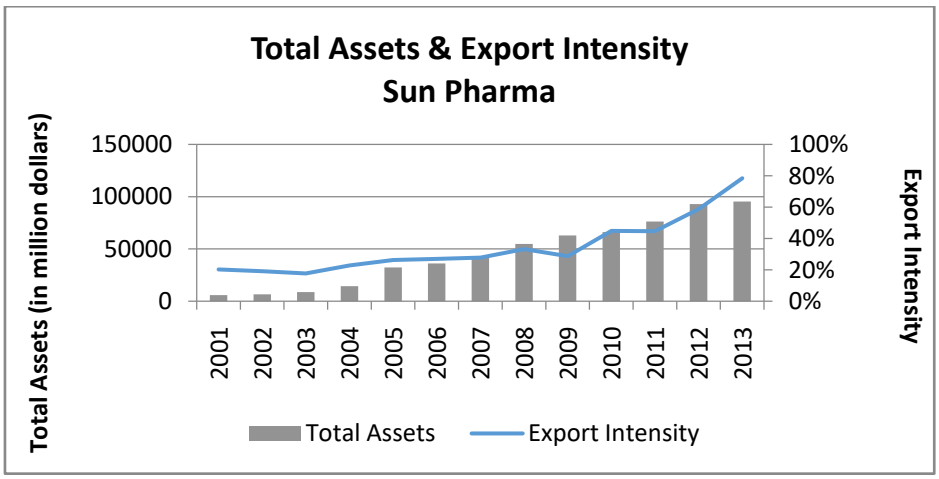


Fig. 2: Total Assets & Export Intensity – Sun Pharma

After the thorough analysis it can always be said that Sun Pharma is internationalizing with a high pace, but still, challenges are on the way. Sun is taking corrective measures to eliminate the threat of increased patent protection. It is investing heavily in sales and marketing capacities and plans to implement its branded generic strategy in multiple markets.

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